

## Message Text

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PAGE 01      GEORGE 02443 061123Z

11

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

EB-07 TRSE-00 OMB-01 COME-00 /070 W

----- 012139

R 031920Z DEC 76

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 3800

INFO AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY KINGSTON

AMEMBASSY PARAMARIBO

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L GEORGETOWN 2443

E.O. 11652: GDS

TAGS: PGOV, ECON, GY

SUBJECT: GOG SUPPLEMENTARY BUDGET REQUEST AND CALL FOR AUSTERITY  
MEASURES TO MEET ECONOMIC CRISIS

REF: (A) GEROGETOWN A-74 (NOTAL), (B) GEORGETOWN 2282

(C) GEORGETOWN 2277

SUMMARY: THE GOG HAS PRESENTED A SUPPLEMENTARY BUDGET  
REQUEST TO PARLIAMENT FOR INCREASED SPENDING FOR NATIONAL  
SECURITY AND HAS CALLED FOR THE INTRODUCTION OF  
UNSPECIFIED AUSTERITY MEASURES TO MEET THE DETERIORATING  
ECONOMIC SITUATION. THE GOG HAS APPEALED TO THE POPULACE  
FOR UNITY AND DISCIPLINE IN THIS CRISIS AND IS EMPLOYING  
THE THEME OF DESTABILIZATION TO ACHIEVE THIS GOAL. END  
SUMMARY.

1. THE GOVERNMENT-CONTROLLED "CHRONICLE" OF NOVEMBER 30  
REPORTED THAT DURING THE DEBATE OVER A G\$52.9  
MILLION SUPPLEMENTARY BUDGET REQUEST, PARLIAMENTARIANS  
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PAGE 02      GEORGE 02443 061123Z

AGREED ON THE NEED TO ENSURE THE DEFENSE OF

GUYANA WHILE AT THE SAME TIME EFFECTING SAVINGS IN VIEW OF THE DETERIORATING ECONOMIC SITUATION. IN HIS REMARKS TO PARLIAMENT, THE PM INVITED THE OPPOSITION TO CONSULT WITH THE GOG ON WAYS TO DEAL WITH THE CRITICAL ECONOMIC SITUATION.

2. THE GOG PLANS TO CONTINUE HEAVY OUTLAYS FOR THE GUYANA PEOPLE'S MILITIA (GPM) AND FOR THE GUYANA DEFENCE FORCE (GDF) WHILE SIMULTANEOUSLY INTRODUCING AUSTERITY MEASURES. ACCORDING TO THE PPP "MIRROR," AT LEAST G\$9 MILLION OF THE SUPPLEMENTARY BUDGET IS EARMARKED FOR THE GDF, GPM AND NATIONAL SERVICE. THE "MIRROR" OF NOVEMBER 28 FEATURED AN EDITORIAL ENTITLED QUOTE GUNS INSTEAD OF BREAD UNQUOTE. THIS EDITORIAL DEPLORED THE GOG REQUEST FOR YET ANOTHER (THE FIFTH THIS YEAR) SUPPLEMENTARY APPROPRIATION AND CLAIMED THAT THE FUNDS WOULD BE EXPENDED ON GUNS AND NOT IN AID OF AGRICULTURAL PRODUCTION. IT CONCLUDED QUOTE HOW CAN GUYANESE ACCEPT THE CONCEPT OF TIGHTEN THE BELT WHEN PUBLIC FUNDS ARE BEING SPENT IN THE WRONG MANNER (I.E. TOO MUCH FOR NATIONAL SERVICE) WHILE THE NEEDS OF THE COUNTRY ARE BEING OVERLOOKED UNQUOTE. THE PPP HAS ALSO COMPLAINED THAT THE GPM DISCRIMINATES AGAINST EAST INDIANS IN THEIR RECRUITING.

3. THE "CHRONICLE" ALSO REPORTED THAT AS PART OF THE AUSTERITY MEASURES, THE GOVERNMENT PLANS TO REMOVE THE SUBSIDY ON POULTRY FEED. THE PPP HAS CRITICIZED THE REMOVAL OF THIS SUBSIDY BECAUSE THIS COULD REDUCE THE OUTPUT OF CHICKEN AND EGGS. THE POULTRY SUBSIDY IS AN IMPORTANT ISSUE FOR THE LARGELY EAST INDIAN PPP SINCE, WITH THE COST OF BEEF HIGH, MANY MUSLIMS AND HINDUS RELY ON CHICKEN TO MEET THEIR PROTEIN NEEDS.

4. IN VARIOUS ADDRESSES, THE PM AND MINISTER OF ECONOMIC DEVELOPMENT DESMOND HOYTE HAVE

CONFIDENTIAL

PAGE 03      GEORGE 02443 061123Z

STRESSED THAT, DESPITE THE ECONOMIC CRISIS (REF A), DEVELOPMENT MUST BE PURSUED AT ALL COSTS. THE PM HAS STRESSED THE THEME OF DESTABILIZATION TO JUSTIFY INCREASED OUTLAYS ON THE GDF AND GPM. HE HAS EMPHASIZED THE IMPORTANCE OF MAXIMUM PRODUCTIVITY AND SACRIFICES BY EACH CITIZEN. HOYTE HAS WARNED THAT THE INTENDED INCREASE IN THE PRICE OF OIL WOULD ADVERSELY AFFECT THE ECONOMY

OF GUYANA GUT THAT NEVERTHELESS THE HYDRO POWER  
PROJECT MUST BE CONTINUED.

5. COMMENT: THE PM IS NOW HEAVILY DEPENDENT ON  
THE THEME OF DESTABILIZATION NOT ONLY TO JUSTIFY  
THE SUPPLEMENTAL APPROPRIATION FOR SECURITY  
PURPOSES, BUT ALSO AS A PARTIAL RATIONALE FOR THE  
DETERIORATING ECONOMIC SITUATION. THE GOG IS  
EMPLOYING THIS THEME AS THE PRINCIPAL MEANS OF  
FORGING NATIONAL UNITY NECESSARY TO IMPLEMENT  
SUCCESSFULLY THE PLANNED AUSTERITY MEASURES  
(REFS B AND C). THE SPECIFICS OF THESE MEASURES  
HAVE NOT YET BEEN REVEALED. ONE SENSES A GOOD  
DEAL OF UNCERTAINTY AND APPREHENSION AMONG THE  
POPULACE. EXAGGERATED RUMORS ARE PREVALENT.  
THERE IS UNQUESTIONABLY AN AIR OF CONCERN AND IT  
APPEARS LIKELY THAT THE ECONOMIC SITUATION WILL  
PLAY THE DOMINANT ROLE IN SHAPING THE INTERNAL  
POLITICAL SITUATION AND POSSIBLY THE DIRECTON  
OF GOG FOREIGN POLICY.

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## Message Attributes

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